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FERC Adopts Policy to Accelerate Development of Smart Grid

The Federal Energy Regulatory Commission (FERC) took a major step today to accelerate the development of a smart electric transmission system that could provide long-term savings for consumers by improving the efficiency and operation of the grid. The Smart Grid Policy Statement sets priorities for work on development of standards crucial to a reliable and smart grid.

Smart grid advancements will apply digital technologies to the grid, enabling two-way communications and real-time coordination of information from both generating plants and demand-side resources. This will improve the efficiency of the bulk-power system with the goal of achieving long-term savings for consumers. And it will help promote wider use of demand response and other activities that give consumers the tools they need to control electricity costs.

The final policy issued today closely tracks the proposed policy issued March 19. It sets priorities to guide industry in development of smart grid standards for achieving interoperability and functionality of smart grid systems and devices. It also sets out FERC policy for recovery of costs by utilities that act early to adopt smart grid technologies. More than 70 sets of comments from interested groups indicated broad support for the proposed policy.

"Changes in how we produce, deliver and consume electricity will require 'smarter' bulk power systems with secure, reliable communications capabilities to deliver long-term savings for consumers," FERC Chairman Jon Wellinghoff said. "Our new smart grid policy looks at the big picture by establishing priorities for development of smart grid standards, while giving utilities that take the crucial early steps to invest in smart grid technologies needed assurance about cost recovery."

"The smart grid policy provides a roadmap that will guide the transformation of the old grid into the grid of the future, while providing for fair regulatory treatment to consumers and utilities," Commissioner Suedeen G. Kelly said.

"It's our responsibility to help protect the security and reliability of the nation's electric grid by adopting effective cyber-security standards for the smart grid," Commissioner Philip D. Moeller said. "If we do that right, consumers can look forward to exciting new products and services from a smarter, safer and more efficient grid."

"The policy statement provides important guidance to focus and expedite ongoing industry efforts to develop interoperability standards – this will enable entrepreneurs to deploy new market based technologies to improve efficiency and reliability," Commissioner Marc Spitzer said. "Equally important, this policy statement is a step toward smarter rates that will enable customers to control their personal use of electricity."

The new policy adopts as a Commission priority the early development by industry of smart grid standards to:





- Ensure the cybersecurity of the grid;
- Provide two-way communications among regional market operators, utilities, service providers and consumers;
- Ensure that power system operators have equipment that allows them to operate reliably by monitoring their own systems as well as neighboring systems that affect them; and
- Coordinate the integration into the power system of emerging technologies such as renewable resources, demand response resources, electricity storage facilities and electric transportation systems.

The policy also provides for early adopters of smart grid technologies to recover smart grid costs if they demonstrate that those costs serve to protect cybersecurity and reliability of the electric system, and have the ability to be upgraded, among other requirements.

Importantly, the policy statement also explains that by adopting these standards for smart grid technologies, FERC will not interfere with any state's ability to adopt whatever advanced metering or demand response program it chooses. In adopting this policy, FERC continues to abide by the Federal Power Act's jurisdictional boundaries between federal and state regulation of rates, terms and conditions of transmission service and sales of electricity.

The policy will take effect 60 days after publication in the *Federal Register*.